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Central Intelligence Bulletin

Secret

Nº 040

8 June 1973

State Department review completed

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Approved For Release 2003/11/19 : CIA-RDP79T00975A024600070001-1

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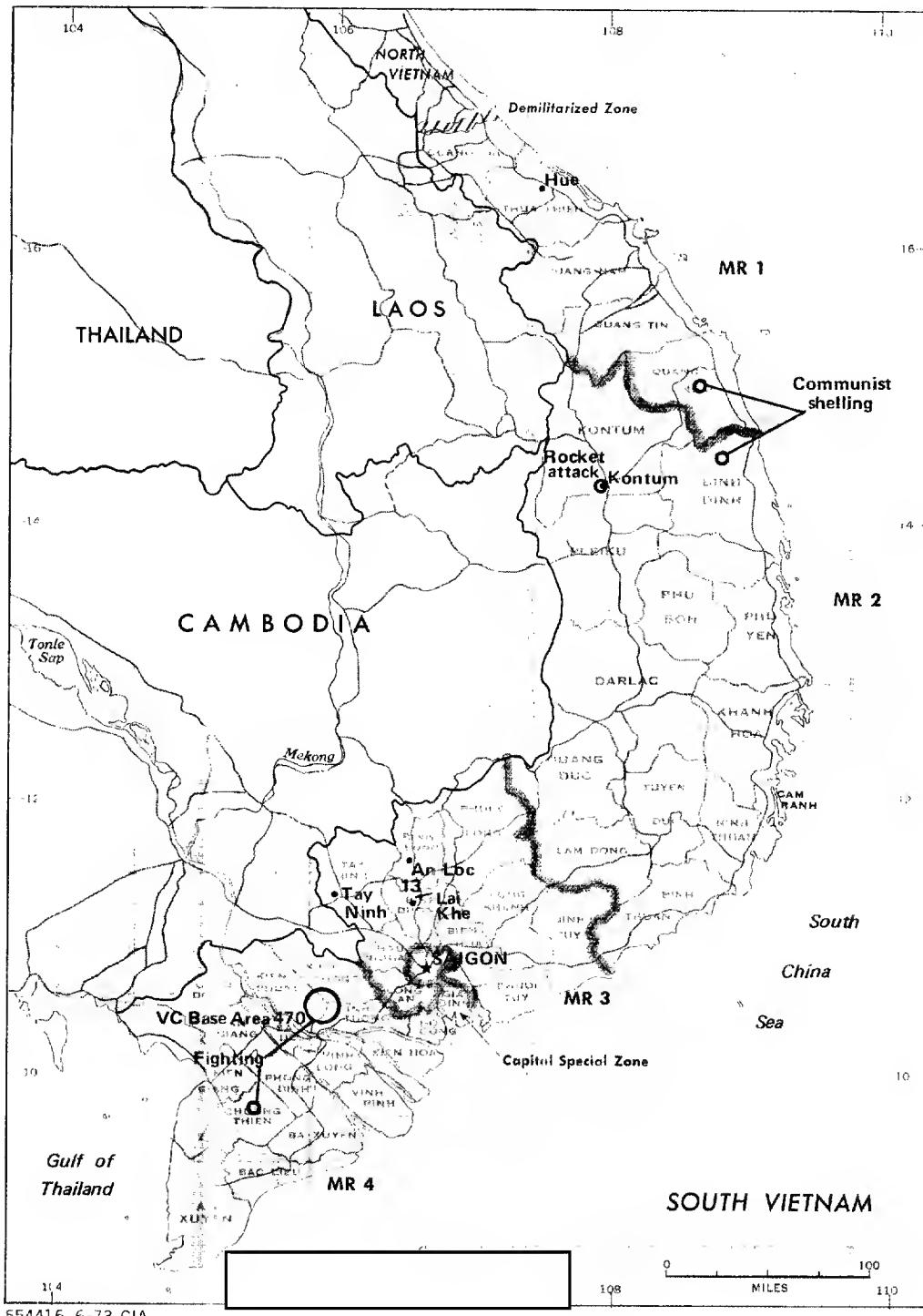
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SOUTH VIETNAM: There has been some increase in local military action as both sides move to consolidate positions before a possible delineation of territorial control.

The heaviest fighting is in the delta provinces, where Communist and South Vietnamese forces are vying for control over portions of long-held enemy bases. North Vietnamese forces inflicted substantial losses on government units in a contested area near the provincial capital of Chuong Thien on 5 June, and sporadic clashes are continuing. Farther north, South Vietnamese regulars have established a presence in a Viet Cong base area in the Kien Tuong - Dinh Tuong border region following several days of stiff Communist resistance.

North of Saigon, government efforts to reopen Route 13 between Lai Khe and An Loc have made limited progress while encountering light Communist ground resistance. South Vietnamese military analysts, however, do not believe the Communists' three main force divisions located in the region north of Saigon will attempt any full-scale attacks but are serving mainly as a counter-balance to the three South Vietnamese divisions there.

Although little significant ground action has been reported in the northern half of the country, Communist shellings have increased somewhat. North Vietnamese gunners continue to fire artillery and rockets against government clearing efforts in Kontum Province, and several rocket rounds reportedly hit the provincial capital yesterday for the first time in several months. Communist mortar barrages and some ground clashes have occurred along the coast as well as west of Hue.

South Vietnamese military commanders throughout the country have been alerted to the possibility of sharper Communist attacks against targets that the enemy briefly held in late January.

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EGYPT: Egyptian representatives at the UN are urging that the US not read too much into Foreign Minister Zayyat's reference, at Wednesday's opening session of the UN Middle East debate, to direct negotiations with Israel. Nonetheless, the statement was not inadvertent and could be an indication of some give in the Egyptian position on negotiations.

In discussing Israel's demand for direct negotiations without preconditions, Zayyat stated that Egypt would agree to this were it not for Israel's rejection of a total withdrawal from the occupied territories--a position that the Arabs regard as a precondition in itself.

Zayyat's remark can be interpreted in varying ways. Made as it was--with qualifications and in the context less of what Egypt would do than of what Israel would not do--the statement could be nothing more than an effort to prove Egypt's contention that Israel is obstructing movement toward peace. It was not accompanied in any case by any indication of Egyptian willingness to give up its own precondition; Zayyat preceded the remark with a reiteration of Egypt's standard demand for a prior Israeli commitment to total withdrawal.

On the other hand, the statement is a departure from Egypt's consistent refusal to consider the possibility of direct negotiations under any circumstances. The statement did not appear in the prepared text of Zayyat's speech, but it was added by Zayyat himself before the speech was delivered.

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Egyptian UN spokesmen have emphasized that Zayyat's remark does not constitute an Egyptian initiative, and indeed it does not in the context in which it was made. The cautionary remarks to US representatives at the UN from Egypt's delegates are also an indication that the Egyptians do not at this point want to be placed in a position of irrevocable commitment to direct negotiations under any formula. The statement, however, was not an uncalculated one. Whether it opens the door to progress will depend on the Egyptian perception of what comes out of the UN debate, the results of the US-USSR summit, and the Israeli response.

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IRAN: Secretary of State Rogers' attendance at a CENTO meeting in Tehran this weekend may provide an occasion for extremist groups that oppose US-Iranian military cooperation to embarrass the US and the Shah. There is little chance of violence against highly protected members of the Secretary's delegation. The terrorists would probably choose a more vulnerable target, like the US Army adviser who was shot last Saturday on a Tehran street.

As a result of the adviser's assassination, the Iranian Government has bolstered security around US installations. The dissidents are nevertheless capable of staging violent incidents that are almost impossible to prevent.

The US adviser's assassination probably was intended to focus attention on US-Iranian cooperation at a time when local critics are deplored the Shah's recent \$2.5-billion arms orders from the US. The attack may also have been related to the execution of eight terrorists a week earlier and the current trial of seven guerrillas charged with attempting to kidnap former US ambassador MacArthur.

The adviser almost certainly was chosen because he was an easier target than heavily guarded Ambassador Helms or other members of the embassy staff. Also, as one of some 580 US military advisers in Iran, he was probably viewed as a representative of the expanding US role in equipping and training the Shah's armed forces. Within the year an additional 500 US advisers are expected in the country to train Iranians for the new equipment the Shah has on order. [redacted]

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SOUTH AFRICA: The government has announced that it will fund preparatory work for the building of a uranium enrichment production plant that will use South Africa's new and secret process. The plant is scheduled to be completed in the early 1980s, at an estimated cost of \$785 million.

The South Africans have been seeking financial assistance from other countries for the construction of this production plant, but have been unable to get it because Pretoria refused to reveal any information about its new enrichment process. The South Africans claim that the new method will be economically competitive with methods already in use by other countries.

Although the process has not yet been identified, the projected production figures of the new facility suggest that its efficiency will be comparable with that of US gaseous diffusion plants as currently operated. The economic advantages claimed by the South Africans for their new process seem to be based on low capital, maintenance, and power costs. The South Africans have been building a pilot uranium enrichment plant near Pretoria since 1970 to test the new process. A government spokesman recently stated that this plant is now nearing completion.

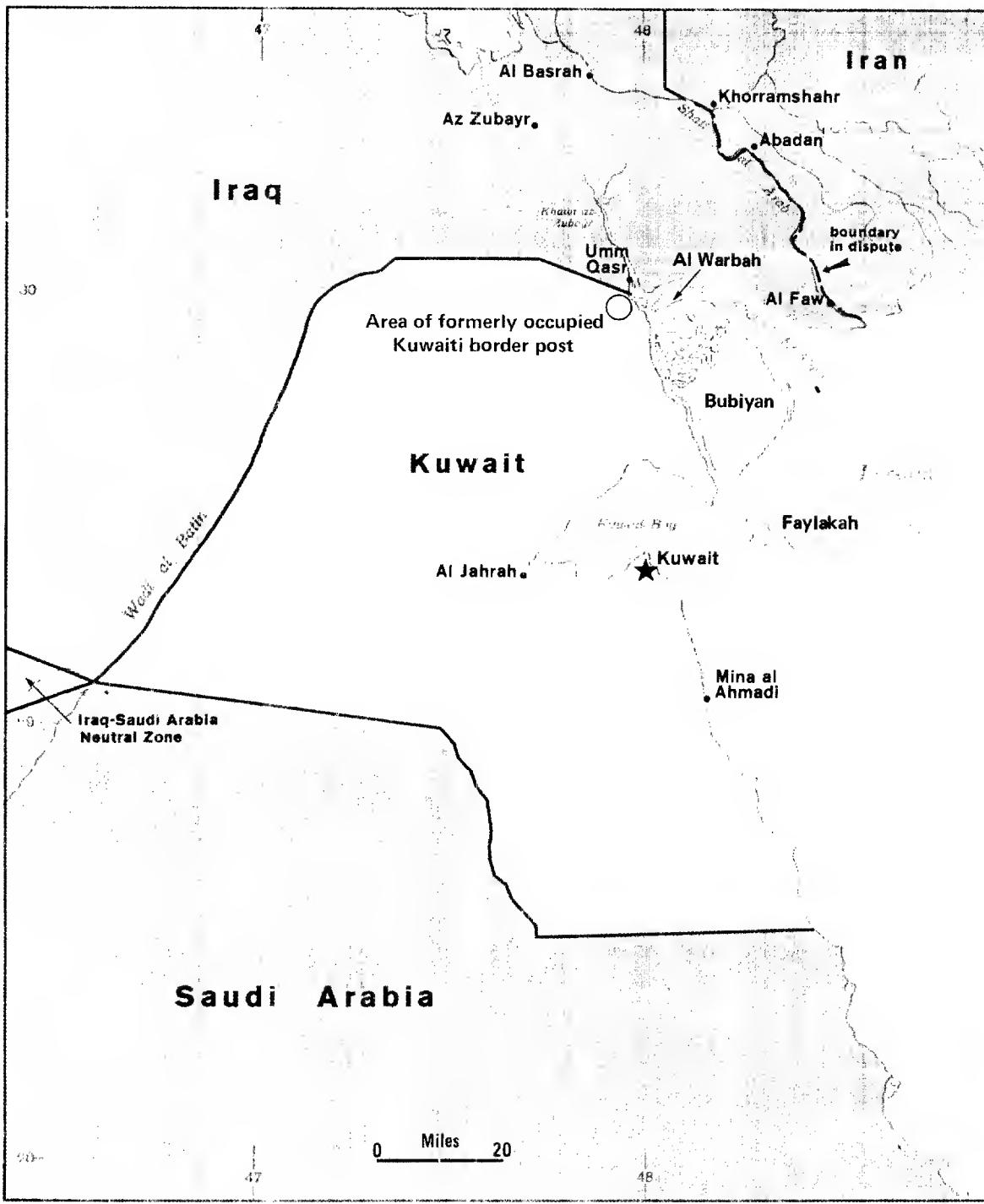
South Africa does not now produce enough uranium to operate the proposed plant at capacity, but deposits in South-West Africa should ensure an adequate supply by the time the plant is built. The country's entry into the enrichment market could help ease an anticipated world shortage of enrichment capacity in the 1980s.

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KUWAIT-IRAQ: The border dispute remains at an impasse with Kuwait in a weak position to resist Iraq's demands for territory.

Iraq is demanding clear title to several pieces of Kuwaiti land around the port of Umm Qasr. It is also claiming the islands of Al Warbah and Bubiyan which control the approach to Umm Qasr from the Persian Gulf and sit astride untapped but possibly lucrative underwater oil deposits.

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Kuwait is reportedly prepared, somewhat reluctantly, to lease the islands to Iraq, but says it will not consider even this step until Baghdad agrees to a specific delineation of the border line, which was laid down imprecisely in agreements in 1932 and 1963.

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Kuwait's attempts to arrange a summit meeting to discuss the issue have been met only with Iraqi notes reiterating Baghdad's demands. The issue thus seems likely to continue to drag on. Kuwait has little hope that Baghdad will compromise, even if greater pressure is put on Iraq by other Arab states. The Kuwaitis will remain firm in their own position so long as Baghdad does not take stronger measures to enforce its demands, but Kuwait may ultimately have to agree to some arrangement giving Iraq full, permanent control of the disputed territory.

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LEBANON-SYRIA: President Franjiyah is taking a tough line with the Syrians and domestic enemies who are collaborating to diminish his power, but he may underestimate Syria's ability to create further difficulties.

Syria's traditional inclination to meddle in Lebanese affairs was evident in Damascus' moves last month during the army-fedayeen clashes. During the fighting, and since, Syria has supplied arms to Franjiyah's leftist opponents and the fedayeen and waged a propaganda campaign on behalf of the guerrillas. Damascus also closed the border and allowed infiltration into Lebanon of Syrian-based fedayeen. Lebanon's response to the border closure was to air-lift perishable foodstuffs to Persian Gulf markets. The Lebanese also dropped hints of cutting off electricity supplied to regions of Syria near the border.

The Syrians also have encouraged Sunni Muslim politicians in their effort to bring down the government of Prime Minister Hafiz. Leading Muslim politicians are making Hafiz' continuation in office a confessional issue, and may try to defeat a government motion for a vote of confidence now scheduled for 12 June.

Franjiyah is working to split the opposition by putting pressure on Sunni politicians who might covet ministerial positions. He presumably is trying to marshal the Sunnis' support by reminding them of the possibly serious consequences of confessional strife or a diminution of presidential favors toward them.

Franjiyah's tough posture toward Syria is risky in view of Lebanon's comparative weakness. The Syrians could add considerably to Lebanon's problems by stepping up infiltration of Palestinian guerrillas and closing Syrian air space, a move that would further damage Lebanon's economy. Franjiyah, however, is apparently counting on the essentially pragmatic Syrian President Asad to avoid contributing still further to Lebanon's political instability. [redacted]

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EUROPEAN COMMUNITIES: EC Vice-President Haferkamp has toured member capitals seeking support for stronger anti-inflation action at the EC finance ministers' meeting later this month, but he has met with little success. Only Denmark seems inclined to follow Germany's lead in instituting strong across-the-board measures. The British are fearful of curtailing their present economic expansion, and the Italians, still suffering high unemployment, do not want to restrict investment growth. France has not yet been consulted. The apparent lack of agreement will increase Bonn's difficulties in holding down its economic boom. Export orders, a strong source of inflationary pressures, are up 42 percent in March 1973 from a year ago. They will continue to grow sharply if Germany's EC partners, which account for half of its trade, fail to curtail domestic demand.

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